



Local Authority Loan Agreement
Terms & Conditions

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THIS AGREEMENT is made between:-

(1) **The Mayor and Burgesses of the London Borough of Croydon; and**

(2) **The Royal Bank of Scotland plc**

It is agreed as follows:-

1 DEFINITIONS

1.1 Definitions

"Bank" means The Royal Bank of Scotland plc or any successor body and its successors and assigns;

"Borrower" means The Mayor and Burgesses of the London Borough of Croydon;

"Breakage Loss" means the amount the Bank reasonably determines in good faith to be its total loss, cost, liability and expense directly or indirectly resulting from or attributable to any failure to draw a Loan on the Drawdown Date or any early repayment or recovery of a Loan in whole or in part (other than as permitted by Clause 5.3 or Clause 7.1) and calculated by reference to the loss of the right to receive interest for the balance of the Term and/or any agreements or arrangements (whether entered into actually with third parties or established internally as between different divisions of the Bank) entered into, recorded or booked in order to manage or protect the Bank in respect of the risk of movements in interest rates.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

"Drawdown Date" means the drawdown date(s) specified in Schedule 1;

"Event of Default" means the event specified in Clause 11;

"Interest Period" means each period for the calculation of interest for the purpose of Clause 6;

LIBOR Related Rate has meaning ascribed to it in Schedule 2.

"Loan" means the loan specified in Schedule 1;

"Option Date" means the applicable date specified in Schedule 1;

"Replacement Rate" means each rate of interest agreed between the Bank and the Borrower to apply with effect from an Option Date in place of any previous rate of interest.

"Term" means the term specified in Schedule 1.

2 THE LOAN

This Agreement records the terms on which the Bank agreed, on the date set out in Schedule 1, to make a Loan available to the Borrower.

3 CONDITIONS PRECEDENT

The Loan may not be drawn until the Bank has received the duplicate of this Agreement signed on behalf of the Borrower.

4 DRAWING OF THE LOAN

- 4.1 The Loan must be drawn down in one amount on the Drawdown Date, unless the Schedule specifies multiple Drawdown Dates, when the tranches of the Loan specified in the Schedule must be drawn on the dates specified. Tranches, when drawn, will be consolidated with previous tranches in one Loan account.
- 4.2 If the Borrower does not intend to draw the Loan or any tranche, it must give the Bank not less than 3 Business Days cancellation notice prior to the relevant Drawdown Date.
- 4.3 As interest on the Loan will be charged during the Term at the rates specified in the Schedule or any agreed Replacement Rates, formal arrangements have been made by the Bank with its Global Banking and Markets Department to book the Loan. If the Loan is not drawn on the Drawdown Date, the Borrower shall pay to the Bank the Breakage Loss in accordance with Clause 8.

5 INTEREST

- 5.1 During the First Period specified in the Schedule interest on the Loan shall be charged at the rates stated in the Schedule. For the balance of the Term interest will be charged at the rate stated in the Schedule or any agreed Replacement Rates.
- 5.2 The Bank may give the Borrower 5 Business Days notice prior to each Option Date if the Bank elects to change the rate of interest. At any time before 3pm on the second Business Day the Bank and the Borrower may agree a Replacement Rate. The Replacement Rate so agreed will be payable by the Borrower from the Option Date. The Bank will notify the Borrower of the Replacement Rate so agreed.
- 5.3 If the Bank and the Borrower do not agree the Replacement Rate, the Bank and the Borrower may agree (i) that the Replacement Rate will be a LIBOR Related Rate and (2) the applicable margin and the provisions of Schedule 2 then apply to the calculation of the interest rate.
- 5.4 If a Replacement Rate is not agreed the Borrower must repay the Loan with accrued interest on the relevant Option Date but without being liable for any Breakage Loss.
- 5.5 Interest on the Loan shall be calculated on a daily basis and assuming a year of 365 days and shall be paid on the last day of each Interest Period and on final repayment of the Loan.. Any interest unpaid when payable shall be compounded.

6 INTEREST PERIODS

The first Interest Period for the Loan shall begin on the Drawdown Date and each subsequent Interest Period shall begin on the expiry of the preceding Interest Period. Subject to Clause 13.1 each Interest Period shall be for 6 months. If the Loan is repaid in full the current Interest Period will end on the date of such repayment.

7 REPAYMENT

- 7.1 The Borrower shall repay the Loan in full with accrued interest on the expiry of the Term or on any Option Date where the Bank has served notice on the Borrower to change the interest rate and no Replacement Rate has been agreed.
- 7.2 The Borrower shall give the Bank 3 Business Days notice if it wishes to make a repayment at any other time.

8 BREAKAGE LOSS FROM FAILURE TO DRAWDOWN OR EARLY REPAYMENT

- 8.1 The Borrower acknowledges that the Bank may enter into, record or book agreements or arrangements on the assumption that its sources of funds will include payments of interest under this Agreement. Those agreements or arrangements may be made with third parties or may be internal agreements or arrangements made between different divisions of the Bank, in reliance on which the Bank may then enter into other agreements or arrangements with third parties.

Accordingly, the Borrower acknowledges that if the Borrower gives a cancellation notice or fails to draw the Loan on the Drawdown Date or makes any early repayment of the Loan (whether as permitted by Clause 7.2 or otherwise), the Bank may suffer Breakage Loss which the Borrower will be required to pay. Breakage Loss is not payable if repayment is made under Clause 5.3 or Clause 7.1

- 8.2 The Borrower acknowledges:
- (a) that, prior to agreeing with the Bank (on the date set out in the Schedule) to draw the Loan, the Bank explained the risks described in Clause 8.1 to the Borrower and supplied examples of the possible calculations that may arise in such event;
 - (b) that such examples were calculated on the basis of assumptions as to movements in interest rates as explained to the Borrower, but that the actual Breakage Loss may be greater, depending on financial market conditions; and
 - (c) that it is possible in some financial market conditions for the amount of the Breakage Loss to equal or exceed the Loan.
- 8.3 If the Borrower gives a cancellation notice or the Loan is not drawn on the Drawdown Date or is repaid in whole or in part (other than as stated in Clause 5.3 or Clause 7.1) (either being "early repayment") (including any repayment following the occurrence of an Event of Default) the Borrower shall pay to the Bank within 7 days of demand, a sum of money representing the Breakage Loss in respect of the early repayment.
- 8.4 The Bank and the Borrower agree that the Bank will calculate the Breakage Loss by utilising information consisting of relevant market data in the relevant market which may be obtained from a source within the Bank or any third party including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads and correlations and where available the systems and internal models used generally by the Bank for that purpose.
- 8.5 If the Borrower wishes to make an early repayment, it may request a statement from the Bank to be provided within 3 Business Days setting out an estimate (which estimate shall not be binding on the Bank) of the amount of the Breakage Loss in respect of the proposed early repayment and showing in reasonable detail how such amount was calculated.
- 8.6 A notice signed by the Bank certifying the amount of Breakage Loss due shall, in the absence of manifest error, be conclusive and binding on the Borrower.

9 PAYMENTS

- 9.1 All payments to be made by the Borrower under this Agreement shall be made to the Bank on the due date.
- 9.2 All payments to the Bank must be made without set-off and without any deduction on account of any tax, duty or other charge. If the Borrower is required by law to make any such deduction or withholding the Borrower will pay to the Bank such additional sums to the extent necessary to ensure that the Bank receives on the due date a sum equal to the sum which it would have received had there been no such deduction or withholding.

10 UNDERTAKINGS

The Borrower undertakes that:-

Financial Information

- (a) it shall place its audited financial statements on its website as soon as they become available.

Limits

- (b) no financial limits will be exceeded and/or breached as a result of the Bank providing the Loan.

11 EVENT OF DEFAULT

- (a) If the Borrower fails to pay any amount payable under this Agreement on the due date or there is a default or a failure to pay on demand under any other liability of the Borrower to the Bank or to other creditors to whom borrowed moneys are owed (other than where the Borrower demonstrates to the reasonable satisfaction of the Bank that such failure is due to an administrative or technical payment error, in which case the Borrower shall have 3 Business Days from the due date to make such payment)

then the Bank may by written notice to the Borrower declare the Loan, all interest accrued and all other sums payable by the Borrower under this Agreement to be immediately due and payable.

12 NOTICES

- 12.1 Every notice or other communication made under this Agreement shall be in writing (by way of letter, e-mail or facsimile transmission) and shall be given:-

- (a) in the case of the Borrower to Executive Director Resources and Customer Services with copies to Director of Corporate Financial Services, Head of Treasury and Pensions and Treasury Manager, London Borough of Croydon Council, Taberner House, Park Lane, Croydon, CR9 1JR, Tel 020 8686 4433, Fax 020 8686 7405 or to such other person or address as the Borrower may notify to the Bank.
- (b) in the case of the Bank to its office at 280 Bishopsgate, London, EC2M 4RB or such other office/address as the Bank may notify to the Borrower from time to time

- 12.2 Every notice or other communication shall be deemed to have been received:-

- (a) in the case of a letter when delivered personally or two days after its posting by first class post; and
- (b) in the case of a facsimile transmission when despatched.

13 MISCELLANEOUS

- 13.1 If an Option Date, the last day of an Interest Period or any due date for payment is not a Business Day, it will be extended to the next Business Day unless the next Business Day is in the following calendar month in which case the relevant date will be the immediately preceding Business Day.
- 13.2 If the Schedule provides for multiple Drawdown Dates, references to a failure to draw the Loan on a Drawdown Date mean a failure to draw any tranche of the Loan on the applicable Drawdown Date specified in the Schedule.
- 13.3 The Borrower may not assign or transfer any of its rights or obligations under this Agreement.
- 13.4 The Bank may assign all or any part of its rights or benefits under this Agreement without the consent of the Borrower. The Bank may disclose to a prospective assignee or to any other person who may propose entering into contractual relations with the Bank in relation to this Agreement such information about the Borrower as the Bank shall consider appropriate.

- 13.5 If the Bank waives any of its rights under this Agreement, it does not mean the Bank will waive that right in future.
- 13.6 If any of the provisions of this Agreement is determined to be unlawful or unenforceable, the provision will be severed from the remaining provisions which will continue in full effect.

14 LAW

This Agreement shall be governed by and construed in accordance with English law and the Borrower hereby submits to the exclusive jurisdiction of the English courts.

Schedule 1

Loan details agreed between the Bank and the Borrower on 15th January 2009

1. Loan: £ 20mn
2. Term: the period of 50 years commencing on the Drawdown Date.
3. Drawdown Date: 15th January 2012
4. First Period: 5 years commencing on the Drawdown Date
5. Rate of interest for 5 years commencing on the Drawdown Date: 4.55%
6. Option Date: The last day of the First Period and the last day of each following year.

Your attention is drawn to the provisions of Clause 8 which apply if the Borrower fails to draw the Loan or any tranche on the applicable Drawdown Date or makes any early repayment of the Loan.

Schedule 2

This Schedule applies if the Bank and the Borrower agree that interest is to be paid at a rate of the Margin above LIBOR plus Mandatory Costs ("**LIBOR Related Rate**")

1. Definitions

"LIBOR" means the British Bankers Association Interest Settlement Rate for Sterling for the relevant Interest Period at 11.00 a.m. on the first day of the relevant Interest Period.

"Margin" means 0.5%

"Mandatory Costs" means such costs (in relation to the Loan) as the Bank determines are necessary to compensate the Bank for complying with any reserve asset and/or special deposit or liquidity requirements (or other requirements having the same or similar purpose) of the Bank of England, the Financial Services Authority (or any successor or similar regulatory authority) including a requirement for the payment of any fees to the Financial Services Authority (whether or not any such requirements have the force of law)

2. A LIBOR Related rate will apply from the applicable Option Date and the Term will expire and the Loan will be repaid 12 months from that date
3. If at any time a LIBOR Related Rate applies and the Bank is unable to quote a LIBOR rate or LIBOR no longer represents the cost to the Bank of funding the Loan (whether due to any change in operation or structure of the London Interbank Market or any other reason), the Borrower shall, in respect of each Interest Period, pay to the Bank interest at a percentage rate equal to the aggregate of :-

- (i) the Margin per annum above the rate representing the cost to the Bank of funding the Loan from whatever source it may reasonably select; and
- (ii) Mandatory Costs

The Bank shall promptly notify the Borrower of any such amendments and the rate to apply

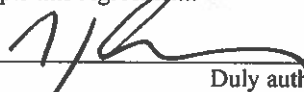
Your attention is drawn to the provisions of Clause 8 which apply if the Borrower makes any early repayment of the Loan.

Signed for and on behalf of The Royal Bank of Scotland plc

Signature: 

Date: 23/3/09

London Borough of Croydon having decided that the Loan arrangements set out in this Agreement are in its best interests, accepts this Agreement.

Signed: 
Duly authorised Officer

Office held EXECUTIVE DIRECTOR RESOURCES + CUSTOMER SERVICES

Date: 8/4/09